

## Franchise Tax Board

## ANALYSIS OF AMENDED BILL

Author: Strom-Martin Analyst: Kristina E. North Bill Number: AB 2783  
Related Bills: See Legislative History Telephone: 845-6978 Amended Date: June 17, 2002  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Endangered & Rare Fish, Wildlife, & Plant Species Conservation & Enhancement  
Account/Reestablishes Operation

**SUMMARY**

This bill would reestablish a voluntary contribution for the Rare and Endangered Species Preservation Program on the California personal income tax return.

**SUMMARY OF AMENDMENTS**

The June 17, 2002, amendment replaced the steelhead trout language with the language discussed in this analysis.

**PURPOSE OF THE BILL**

The author's office has indicated that the purpose of the bill is to reestablish a funding source for rare and endangered species.

**EFFECTIVE/OPERATIVE DATE**

This bill would become effective on January 1, 2003, and would first apply to the 2002 personal income tax returns filed in 2003.

**POSITION**

Pending.

**ANALYSIS**FEDERAL/STATE LAW

**Current federal tax law** provides a true checkoff to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Gerald H. Goldberg

7/29/02

**Prior state tax law** allowed taxpayers to make contributions of their own funds (not tax liability) on their 2001 tax returns to ten voluntary contribution funds, including the California Endangered & Rare Fish, Wildlife, & Plant Species Conservation & Enhancement Account ("Rare and Endangered Species Preservation Program"). Upon appropriation by the Legislature, the money contributed to the Rare and Endangered Species Preservation Program was allocated to:

- ◆ the Department of Fish and Game to support programs for rare animals and native plant species as determined by the commission, and related conservation and enhancement programs; and
- ◆ the Franchise Tax Board (FTB) to reimburse the actual costs to administer the fund.

The voluntary contribution for this fund was repealed by its own terms effective January 1, 2002.

**Current state tax law** provides direction for collecting and transferring designated contributions to voluntary contribution funds. These provisions were added in 1998 to eliminate inconsistencies in the treatment between voluntary contribution funds.

### THIS BILL

**This bill** would reestablish the Rare and Endangered Species Preservation Program, which would first reappear on the 2002 individual tax return. The fund would sunset on January 1, 2008, and would last appear on the 2007 individual income tax return. **This bill** would allow taxpayers to designate their own money, not tax liability, to the fund. The contributions would be in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable.

**This bill** would require FTB to include a designation space for the fund on the individual tax return. **This bill** would allow the voluntary contribution designation to remain on the tax return for six years. Beginning in taxable year 2002, if FTB estimates by September 1 of each year that contributions to the fund will be less than \$250,000, as adjusted, the provisions of this bill would be repealed.

**This bill** would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the Rare and Endangered Species Preservation Program.

**This bill** would require that all money transferred to the Rare and Endangered Species Preservation Program, upon appropriation by the Legislature, be allocated first to FTB for reimbursement of costs incurred performing their duties under this article. Then, money would be allocated to the Department of Fish and Game to support programs for endangered and rare animals and native plant species, related conservation and enhancement programs, and programs that may be candidates for determination as endangered or rare.

### IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

## TECHNICAL CONSIDERATIONS

This bill contains unnecessary language regarding directions for collecting and transferring designated contributions to this voluntary contribution fund. Please see Amendment 1.

## **LEGISLATIVE HISTORY**

SB 78 (Thompson, Stats. 1997, Ch. 87) reinstated and extended the operation of the Rare and Endangered Species Preservation Program for voluntary contribution to January 1, 2002.

AB 2955 (Knight, Stats. 1996, Ch. 960) extended the operation of the Fish and Game Preservation to January 1, 1998.

## **PROGRAM BACKGROUND**

Ten voluntary contribution funds appeared on the 2001 California personal income tax returns. Total contributions to these funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$3.8 million in 2000/2001. The number of individuals contributing (first tabulated in 1993) remains fairly constant at approximately 140,000, or slightly less than 1% of all taxpayers.

The Rare and Endangered Species Preservation Program was enacted in 1992 and first appeared on the 1992 tax return filed in 1993. It was repealed by its own terms on January 1, 2002, and last appeared on the 2001 tax return filed in 2002. This fund received approximately \$630,000 from contributions on the 2000 tax return.

## **OTHER STATES' INFORMATION**

*Florida* allows five voluntary contribution funds on the application form for a driver's license. The contributions may be made in whole dollar amounts as specified for each fund. The funds must pay a \$10,000 application fee to defray the Department of Motor Vehicles costs. A fund is discontinued if less than \$25,000 is contributed by the end of the fifth year, or less than \$25,000 is contributed during any subsequent five-year period.

*Illinois* allows seven voluntary contribution funds on the personal income tax forms. A fund is discontinued if, by October 1<sup>st</sup> of any year, the total contributions to the fund are less than \$100,000.

*Massachusetts* allows four voluntary contribution funds on the personal income tax form.

*New York* allows five voluntary contribution funds on the personal income tax form. The contributions may be made in whole dollar amounts.

These states were chosen for their similarities to California state tax law.

## **FISCAL IMPACT**

This bill would not significantly impact the department's costs.

## **ECONOMIC IMPACT**

### Revenue Estimate

If the minimum level of contributions (\$250,000) is achieved each year, potential revenue losses would be very minor; on the order of \$15,000 annually beginning with the fiscal year commencing after the fund designation appears on filed tax returns. The loss would result from itemized deductions for the contributions.

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

### Revenue Discussion

According to departmental data, the total amount of existing voluntary contributions to all funds was nearly \$4 million for fiscal year 2001/2002 with an average of \$280,000 per individual designated fund.

Assuming contributions equal or exceed the minimum contribution threshold and all contributors itemize deductions, the annual revenue loss would be on the order of \$15,000 by applying an average marginal tax rate of 6%.

## **POLICY CONCERNS**

The placement of voluntary contribution funds on the tax return limits the amount of space available for other tax-related items. The inclusion of non-tax related information might ultimately impair tax collection and reduce administrative efficiency.

## **LEGISLATIVE STAFF CONTACT**

Kristina E. North  
Franchise Tax Board  
845-6978  
[Kristina.North@ftb.ca.gov](mailto:Kristina.North@ftb.ca.gov)

Brian Putler  
Franchise Tax Board  
845-6333  
[Brian.Putler@ftb.ca.gov](mailto:Brian.Putler@ftb.ca.gov)

Analyst	Kristina E. North
Telephone #	845-6978
Attorney	Patrick Kusiak

FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO AB 2783  
As Amended June 17, 2002

**AMENDMENT 1**

On page 4, strikeout line 30, and insert:  
made shall be irrevocable.

**AMENDMENT 2**

On page 4, strikeout lines 31 through 40, and on page 5, strikeout  
lines 1 through 4.

Please renumber subdivisions as necessary.